No. 11-1019

In the Supreme Court of the United States

JOEL TENENBAUM, PETITIONER

v.

SONY BMG MUSIC ENTERTAINMENT, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether 17 U.S.C. 504(c) (2006 & Supp. IV 2010), which generally permits a copyright owner to recover statutory damages for infringement "instead of actual damages and profits," requires proof that the infringement was commercial in nature or resulted in actual damages or lost profits.

2. Whether Section 504(c) is facially unconstitutional because it does not expressly provide a right to jury trial on statutory damages, even though petitioner received a jury trial in this case.

3. Whether the district court abused its discretion by instructing the jury of the full range of statutory damages that it could award pursuant to Section 504(c).

4. Whether the court of appeals erred by remanding for the district court to consider common-law remittitur rather than allowing the district court to reduce the statutory-damages award without offering the plaintiffs the option of a new trial.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 8a-69a) is reported at 660 F.3d 487. The opinion of the district court granting in part petitioner's motion for new trial or remittitur (Pet. App. 70a-148a) is reported at 721 F. Supp. 2d 85.

JURISDICTION

The judgment of the court of appeals was entered on September 16, 2011. A petition for rehearing was denied on November 17, 2011 (Pet. App. 1a-2a). The petition for a writ of certiorari was filed on February 13, 2012. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. The Copyright Act of 1976 gives the owner of a copyrighted sound recording the exclusive right to reproduce the sound recording, to prepare derivative works, and to distribute the sound recording to the public. 17 U.S.C. 102(7), 106(1)-(3), 114 (2006 & Supp. IV 2010); see also 17 U.S.C. 115(d). The transfer of a digital sound recording over the Internet and the resulting creation of a copy on a local computer hard drive amount to the "distribut[ion]" and "reproduc[tion]" of the work. Thus, one who downloads a sound recording over the Internet or subsequently uploads the sound recording to other Internet users, without the copyright owner's permission, has infringed the copyright in the work. 17 U.S.C. 501(a).

A copyright owner has a statutory cause of action against an infringer. 17 U.S.C. 501(b). This case concerns 17 U.S.C. 504 (2006 & Supp. IV 2010), the Copyright Act provision that governs the computation of damages in successful infringement actions. Section 504(a) provides that an infringer is liable for either (1) the copyright owner's actual damages and any additional profits of the infringer, or (2) "statutory damages," as defined under Section 504(c). 17 U.S.C. 504(a). The copyright owner "may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages." 17 U.S.C. 504(c)(1). Under Section 504(c)(2), "[t]he court shall remit statutory damages" if the infringer was, or worked for, a specified nonprofit entity or a public broadcasting entity and reasonably believed that his use was a fair use. 17 U.S.C. 504(c)(2) (Supp. IV 2010).

A plaintiff who elects statutory damages need not prove actual damages or lost profits. Instead, the court

awards an amount of statutory damages that it "considers just" and that is within the range specified by statute. 17 U.S.C. 504(c)(1). Statutory damage awards may ordinarily range between a minimum of $750 and a maximum of $30,000 per infringed work. *Ibid.* The statutory range of permissible damage awards, however, may be increased or reduced in light of the infringer's conduct. Thus, if the infringement is willful, the statutory maximum is increased to $150,000 per infringed work. 17 U.S.C. 504(c)(2) (Supp. IV 2010). Conversely, if the defendant establishes that he was not aware and had no reason to believe that his actions constituted an infringement, the statutory minimum is reduced to $200 per infringed work. *Ibid.*

2. The private respondents (respondents) are recording companies. Pet. App. 71a. They allege that petitioner violated their copyrights in 30 sound recordings by using an Internet-based, peer-to-peer network to download unauthorized copies of the recordings and to distribute them to others.[1] *Id.* at 70a-71a. They brought this action for copyright infringement, requesting injunctive relief to restrain further acts of infringement and statutory damages under Section 504(c).

Petitioner moved to dismiss the complaint, asserting (*inter alia*) that the Copyright Act is unconstitutional. As relevant here, petitioner contended that the award of an excessive amount of statutory damages would violate the Due Process Clause. The United States intervened in the action to defend the constitutionality of the stat-

[1] Peer-to-peer networking software enables participating computer users to communicate and exchange files with each other, without mediation by a central computer server. See *Metro-Goldwyn-Mayer Studios Inc.* v. *Grokster, Ltd.*, 545 U.S. 913, 921-922 (2005); *Paramount Pictures Corp.* v. *Davis*, 234 F.R.D. 102, 104-106 (E.D. Pa. 2005).

ute. See 28 U.S.C. 517, 2403(a). The district court denied petitioner's motion to dismiss, without prejudice to his right to file a post-trial motion challenging any statutory-damages award the jury might return. See Pet. App. 72a n.34; Order, 1:03-cv-11661 Docket entry No. 847 (D. Mass. June 15, 2009).

At trial, the district court concluded that petitioner had admitted engaging in conduct that clearly constituted copyright infringement. The court therefore directed judgment for respondents on the issue of liability and submitted the case to the jury for a determination on statutory damages, including whether petitioner's infringement was willful (which, as explained above, determined what range of statutory damages was authorized). Pet. App. 71a. The district court instructed the jury that the Copyright Act entitled respondents to "a sum of not less than $750 and not more than $30,000 per act of infringement"—or if the infringement was willful, "not more than $150,000 per act of infringement"—"as you consider just." *Id.* at 41a.

The jury concluded that petitioner had willfully infringed respondents' copyrights, and it awarded statutory damages of $22,500 per infringed work, for a total award of $675,000. Pet. App. 72a.

3. Petitioner filed a motion for new trial or remittitur. He argued that the damage award was excessive and should be reduced under either the common-law remittitur procedure or the Due Process Clause. Pet. App. 72a.

The district court granted petitioner's motion in part. Pet. App. 70a-148a.

a. The district court rejected petitioner's contention that the award of statutory damages was barred because respondents had not proved actual damages. The court

concluded that "every authority confirms what the language of [S]ection 504 clearly indicates—statutory damages may be elected even if the plaintiff cannot, or chooses not to, prove that she incurred more than nominal damages." Pet. App. 82a.

b. The district court also rejected petitioner's objection to the jury instructions informing the jury that the permissible range was $750 to $150,000 per act of infringement. The court stated that petitioner had not identified "any evidence" in the statute, case law, or practice "that Congress intended to shield jurors from knowledge of [S]ection 504(c)'s statutory damages ranges." Pet. App. 83a.

c. The district court declined to consider petitioner's request for common-law remittitur. Pet. App. 72a-73a, 83a-87a. The court explained that, under that procedure, the plaintiff is given the option of a new trial instead of a reduction in the award, and respondents had stated "that they likely would not accept a remitted award." *Id.* at 73a. The court therefore proceeded directly to examine whether the jury's award was unconstitutionally excessive. *Id.* at 88a-136a. The court concluded that the maximum constitutionally permissible award was $2250 per infringed work, for a total of $67,500, and directed that the judgment be reduced to that amount. *Id.* at 136a-140a.

4. The court of appeals affirmed the finding of liability, reversed the district court's reduction of the jury's award, and remanded for further proceedings. Pet. App. 8a-69a.

a. The court of appeals rejected petitioner's contention that this Court's decision in *Feltner* v. *Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998), precluded application of the statutory-damages provision. The

Court in *Feltner* held that, although Congress had intended that statutory damages be determined by the trial court, the Seventh Amendment requires that the amount of statutory damages be determined by a jury if a jury trial is requested. Petitioner argued to the court of appeals that the statutory-damages provision is inoperative because Congress originally intended to vest the decisionmaking authority in the trial judge and *Feltner* held that to do so is unconstitutional.

The court of appeals first held that petitioner had waived that argument by failing to present it to the district court. Pet. App. 25a. The court held in the alternative that the argument was both "wrong and foreclosed by * * * circuit precedent," *ibid.*, as well as contrary to the unanimous view of other circuits, *id.* at 26a. The only part of the statutory-damages provision rendered "inoperative" by *Feltner*, the court concluded, was the aspect precluding a jury determination of statutory damages. *Id.* at 26a-27a. The court of appeals noted that this Court had resolved Seventh Amendment challenges to other federal statutes in a similar fashion. *Ibid.* (citing *Tull* v. *United States*, 481 U.S. 412, 417 n.3 (1987)).

b. The court of appeals rejected petitioner's argument that respondents could not recover statutory damages against him because he was a "noncommercial" infringer or "consumer copier." Pet. App. 27a-37a. The court explained that petitioner had waived that argument by failing to present it to the district court. *Id.* at 27a. The court further held that petitioner was not a "consumer copier" in any event because his infringement extended to distributing copied works "for private gain" (*i.e.*, the receipt of other copyrighted works in ex-

change). *Id.* at 27a-28a & n.14 (citing 17 U.S.C. 101 (definition of "financial gain")).

The court of appeals held in addition that petitioner would not be exempt from statutory damages even if he were a consumer copier whose infringement was noncommercial. Pet. App. 29a-37a. The court explained that "[t]he Copyright Act contains no provision that could be interpreted as precluding a copyright owner from bringing an action against an infringer solely because the infringer was a consumer of the infringed products or acted with a so-called noncommercial purpose in his distribution of the works to others." *Id.* at 30a. The court further explained that Section 504, which provides for both actual and statutory damages in infringement suits, "does not condition the availability of either set of damage calculations on whether the offending use was by a consumer or for commercial purposes." *Id.* at 31a.

c. The court of appeals likewise rejected petitioner's argument that a plaintiff may not receive statutory damages unless he proves that the defendant caused him actual harm. The court explained that the Copyright Act "makes clear that statutory damages are an independent and alternative remedy that a plaintiff may elect 'instead of actual damages.'" Pet. App. 38a (quoting 17 U.S.C. 504(c)(1)). The court observed that statutory damages allow "some recompense" when "the rules of law render difficult or impossible proof of damages or discovery of profits." *Ibid.* (quoting *Douglas* v. *Cunningham*, 294 U.S. 207, 209 (1935)). In this case, the court noted, respondents had introduced "extensive testimony" concerning the harm petitioner's conduct had caused to their copyright. *Id.* at 39a.

d. The court of appeals held that the district court had not erred in instructing the jury on statutory damages. Pet. App. 41a-45a. The court explained that the instruction about the statutory range was accurate, and that such instructions are "commonplace" in cases involving a statutory range of penalties. *Id.* at 42a-43a. The court also noted that, while some statutes direct district courts not to instruct juries regarding limits on the damages that may be awarded, the Copyright Act contains no such prohibition. *Id.* at 44a.

e. On the government's appeal, the court of appeals held that the district court had erred in finding the jury verdict unconstitutionally excessive without first determining whether the verdict was excessive under common-law remittitur procedures. Pet. App. 52a-69a. The court observed that, under longstanding principles of judicial restraint, courts should avoid deciding constitutional issues unless it is necessary to do so. *Id.* at 58a. The court explained that, in the present case, common-law remittitur procedures would have permitted the district court to determine whether the jury verdict was excessive without implicating the due process and Seventh Amendment issues raised by the district court's judgment. *Id.* at 59a. The court of appeals accordingly reversed the judgment and remanded the case to the district court with instructions to reinstate the jury's damage award and to consider petitioner's motion for common-law remittitur. *Id.* at 69a. The court further specified that "[i]f, on remand, the [district] court allows any reduction through remittitur, then [respondents] must be given the choice of a new trial or acceptance of remittitur." *Ibid.*

5. After the court of appeals issued its opinion, petitioner moved the court of appeals for leave to withdraw

the motion for remittitur that he had filed in the district court. Pet. App. 4a. The court of appeals denied the motion. *Id.* at 4a-7a. The court concluded that petitioner was judicially estopped from seeking such relief. *Id.* at 5a-6a. The court noted that in any event, withdrawing the motion for remittitur would not authorize the district court to reinstate its ruling that the verdict was unconstitutionally excessive; rather, the district court remained obliged to consider common-law remittitur as a result of the court of appeals' remand. *Id.* at 6a-7a.

6. The court of appeals denied rehearing en banc without recorded dissent. Pet. App. 1a-2a.

ARGUMENT

The court of appeals' decision is correct and does not conflict with any decision of this Court or another court of appeals. Further review is not warranted.

1. Petitioner contends (Pet. 6-9) that Section 504(c) does not apply to noncommercial infringement when there is no proof of actual damages. That argument lacks merit and does not warrant further review.

Petitioner did not assert in the district court that he was exempt from statutory damages as a "noncommercial" infringer, and the court of appeals therefore deemed that argument waived. Pet. App. 27a. The court of appeals further held that petitioner's own infringement was not "noncommercial" because petitioner had distributed copyrighted works to others and received valuable consideration (additional copyrighted works) in return. *Id.* at 28a & n.14. Petitioner does not challenge or even mention those holdings.

In any event, Section 504(c) does not distinguish between commercial and noncommercial infringers. "Any-

one who violates" the copyright owner's exclusive rights, as petitioner did, "is an infringer." 17 U.S.C. 501(a). And "[e]xcept as otherwise provided by [the Copyright Act], an infringer of copyright is liable for * * * statutory damages" at the owner's election. 17 U.S.C. 504(a)(2). There is no exception for "noncommercial" infringement.

There is likewise no textual basis for petitioner's assertion (Pet. 7) that statutory damages should be available only when actual damages would be available. The Copyright Act authorizes awards of statutory damages "instead of actual damages and profits." 17 U.S.C. 504(c)(1). And nothing in the Act makes statutory damages contingent on proof of the economic benefit derived from the infringement.

Indeed, requiring proof of actual loss as a prerequisite to an award of statutory damages would defeat the purpose of that alternative form of relief. As the court of appeals explained, the loss caused (or profits derived) by an infringer may be difficult or prohibitively expensive to prove. See Pet. App. 38a-39a. Accordingly, to deter infringement and to ensure that copyright owners have meaningful redress, copyright law has long authorized an award of "statutory damages" in lieu of actual damages, with such damages to be determined, within broad statutory limits, at the discretion of the trier of fact. See generally *F. W. Woolworth Co.* v. *Contemporary Arts, Inc.*, 344 U.S. 228, 231-233 (1952); *L.A. Westermann Co.* v. *Dispatch Printing Co.*, 249 U.S. 100, 106-107 (1919); *Brady* v. *Daly*, 175 U.S. 148, 154 (1899). This Court has held that statutory damages may be awarded "[e]ven for uninjurious and unprofitable invasions of copyright" and "without any proof of injury."

F. W. Woolworth Co., 344 U.S. at 231, 233; accord *Douglas* v. *Cunningham*, 294 U.S. 207, 209 (1935).

2. Petitioner contends (Pet. 9-13) that this Court's decision in *Feltner* renders Section 504(c) unenforceable. Because petitioner forfeited that argument by failing to raise it in the district court, see Pet. App. 25a, the issue has not been preserved for this Court's review, see, *e.g.*, *Grupo Mexicano de Desarrollo, S.A.* v. *Alliance Bond Fund, Inc.*, 527 U.S. 308, 318 n.3 (1999). Petitioner identifies no ground for excusing his failure to assert the argument in a timely fashion. And it is difficult to envision any circumstances under which it would be appropriate for a party to engage in a full-blown jury trial on claims for statutory damages, only to argue for the first time on appeal that the statute precluded holding the jury trial to which the party was constitutionally entitled.

Even if this contention were properly presented, it would lack merit. As the court of appeals noted, every court of appeals that has considered the issue has agreed that *Feltner* did not invalidate the statutory-damages provision in its entirety. Pet. App. 26a. The unanimous view of the courts of appeals is correct and does not warrant further review.

In *Feltner*, the sole flaw that this Court identified in the statute was that it did not provide for a jury trial on statutory damages. Consistent with this Court's precedents, the submission of those issues to a jury, rather than facial invalidation of the statute, is the proper way to "limit the solution to the problem." *Free Enter. Fund* v. *PCAOB*, 130 S. Ct. 3138, 3161 (2010). In *Feltner* itself, the court of appeals on remand concluded that the remedy was not to invalidate the entire statute, but to remand for a jury trial. *Columbia Pictures Television,*

Inc. v. *Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186, 1192 (9th Cir. 2001), cert. denied, 534 U.S. 1127 (2002). Similarly, in *Tull* v. *United States*, 481 U.S. 412 (1987), this Court remanded for a jury trial, *id.* at 427, even though there was no evidence that Congress in drafting the statute at issue had intended to provide one, *id.* at 417 n.3.

In the years since *Feltner*, moreover, Congress has repeatedly amended the statutory-damages provision. See Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, Pub. L. No. 106-160, § 2, 113 Stat. 1774; Fraudulent Online Identity Sanctions Act, Pub. L. No. 108-482, Tit. II, § 203, 118 Stat. 3916; Copyright Cleanup, Clarification, and Corrections Act of 2010, Pub. L. No. 111-295, § 6(f)(2), 124 Stat. 3181. On petitioner's view, Congress's continued tinkering with an unconstitutional statute has been either defiant or pointless. The better view is that Congress's continued refinement of the provision reflects its expectation that district courts will apply Section 504(c) in conformity with *Feltner* by submitting statutory-damages questions to juries upon request, as the district court did here.

3. Petitioner contends (Pet. 14-15) that the district court's jury instructions were improper because they identified the minimum and maximum statutory-damage awards authorized by the statute. Petitioner cites no authority supporting that argument, and he gives no sound reason to instruct the jury simply "to return whatever award it considered 'just.'" Pet. App. 83a. As the court of appeals explained, instructions like those given here are "commonplace" means of guiding the jury's discretion, and nothing in the Copyright Act forbids their use. See *id.* at 42a-44a.

4. Petitioner does not defend the district court's decision to resolve his constitutional challenge to the jury verdict without considering nonconstitutional grounds that might lead to the same result. Nor does petitioner dispute that common-law remittitur is such an available nonconstitutional ground; indeed, petitioner himself sought remittitur in his post-verdict motion.[2] Rather, petitioner contends (Pet. 15-17) that the court of appeals erred by directing that any remittitur give respondents, as the verdict winners, the choice between a reduced award and a new trial on statutory damages. That argument lacks merit and does not warrant further review.

For centuries at common law, a new trial has been an established remedy for an excessive damages award. See, *e.g.*, *Honda Motor Co.* v. *Oberg*, 512 U.S. 415, 421-426 (1994). Indeed, the district court's power to reduce the damages award is an exercise of the court's power to order a new trial. See *Gasperini* v. *Center for Humanities, Inc.*, 518 U.S. 415, 433, 437 n.22 (1996). The alternative possibility of an agreed-to reduction in the damages developed later. See *Oberg*, 512 U.S. at 424 n.3. This Court has never sustained a decision simply reducing damages under common-law standards without giving the verdict winner the option of a new trial. To the contrary, in the context of compensatory damages, this Court has held that the Seventh Amendment entitles the plaintiff to choose between a reduced award and a new trial, and precludes the court from simply entering judgment for a reduced amount. *Hetzel* v. *Prince William*

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[2] Respondents argued below that remittitur is not available under these circumstances, see Pet. App. 67a n.31, but they have not sought review of the court of appeals' contrary holding.

County, 523 U.S. 208 (1998) (per curiam); *Dimick* v. *Schiedt*, 293 U.S. 474, 486-487 (1935).

Petitioner argues (Pet. 16-17) that statutory damages are analogous not to compensatory damages but to punitive damages, which are subject to *de novo* review for excessiveness by an appellate court. See *Cooper Indus., Inc.* v. *Leatherman Tool Group, Inc.*, 532 U.S. 424, 437 (2001) (explaining that "[b]ecause the jury's award of punitive damages does not constitute a finding of 'fact,' appellate review of the district court's determination that an award [of punitive damages] is consistent with due process does not implicate * * * concerns" under the Seventh Amendment's Reexamination Clause). Petitioner further contends (Pet. 17) that if the Seventh Amendment does not entitle respondents to the option of a new trial, no new trial should be granted here.

Petitioner's argument is not ripe for review at the present stage of this case. The question petitioner presents is what should happen *if* the district court on remand decides that the award is excessive under a common-law remittitur standard. But it is not yet clear whether the district court will reach such a decision—and if it does not order common-law remittitur, it will again proceed to the question whether the award is constitutionally excessive. In addition, although the court of appeals directed the district court to offer a new-trial option if it ordered common-law remittitur, the court of appeals did not base that direction on a conclusion that the Seventh Amendment requires a new-trial option under these circumstances. Rather, the court of appeals simply recognized that the constitutional question was subject to reasonable dispute. Pet. App. 64a-67a. The court explained that the question is a contested one even

in the punitive-damages context. *Id.* at 65a-66a & n.30. And even if it were clear that courts may reduce a jury's award of punitive damages without a new-trial option, the court of appeals correctly held that statutory damages under the Copyright Act are not punitive damages and should not be treated as such. *Id.* at 66a-67a.

Punitive damages are returned *in addition to* compensatory damages, and juries award them to serve distinct functions. See *Cooper Indus.*, 532 U.S. at 439-440. Statutory damages under Section 504(c), by contrast, are returned *instead of* traditional compensatory damages; although they relieve the copyright owner of the obligation to show his actual damages, which may be hard to quantify and prove, they are not altogether disconnected from the need to compensate the copyright owner for his injury. See Pet. App. 84a n.38 (reprinting the non-exhaustive list of factors that the jury considered in awarding statutory damages, which included "[t]he revenue lost by the plaintiff as a result of the infringement" and "[t]he value of the copyright"). And as this Court held in *Feltner*, the Seventh Amendment requires them to be found by the jury rather than awarded by the district court.

Petitioner therefore cannot show that, if the jury's award is set aside under common-law standards, adhering to the court of appeals' directive to give respondents the option of a new trial would be contrary to this Court's decision in *Cooper Industries*. Rather, as petitioner notes, whether a statutory-damages award is subject to the Seventh Amendment's Reexamination Clause is "a question of first impression," Pet. 15, that has not even been decided by either of the courts below. Petitioner identifies no good reason for this Court to be the first to take it up.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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[*] The Solicitor General is recused in this case.